



SCOTTISH
FIRE AND RESCUE SERVICE
Working together for a safer Scotland

Report To: THE BOARD OF THE SCOTTISH FIRE AND RESCUE SERVICE
Report Number: B/FCS/32-15
Date: 26 NOVEMBER 2015
Report By: CHIEF OFFICER ALASDAIR HAY

Subject: BUDGET STRATEGY 2016-17

1 PURPOSE

- 1.1 The purpose of this report is to seek approval of the strategy to be adopted in developing the SFRS budget for 2016 – 2017.

2 RECOMMENDATION

- 2.1 The Board is asked to approve the following recommendation(s):
- 1) That the proposed budget strategy for 2016 – 2017 be adopted.

3 BACKGROUND

- 3.1 Following the 2015 General Election, the UK Government launched its 2015 Spending Review in July 2015. This Spending Review covers the period up to 2019/20 and is due to be published on 25 November 2015.
- 3.2 Following the publication of the UK Government's 2015 Spending Review, the Scottish Government is due to present its draft budget for 2016/17, which will then be subject to the normal parliamentary scrutiny process, resulting in a Budget Bill being developed, which is ultimately enshrined in legislation as the annual Budget Act.
- 3.3 Due to the timing of the UK Government Spending Review, the publication of the Scottish Government's Draft Budget is later than has been typical in recent years.
- 3.4 As an Other Significant National Body sponsored by Scottish Government, SFRS is funded directly through Grant in Aid as detailed in the annual Budget Act.

3.5 The SFRS Resource DEL (Departmental Expenditure Limit) Budget for 2015/16 is as shown in the table below:

SFRS	2015/16 (£m)
Total Resource DEL	283.900
Resource DEL (Non-Cash)	24.679
Resource DEL (Cash)	259.221
Capital DEL (Cash)	25.300
TOTAL CASH	284.521

3.6 This funding is provided to enable SFRS to deliver against its priorities and objectives as laid out in the Fire and Rescue Framework for Scotland 2013, and as further elaborated within the SFRS Strategic Plan 2013-2016. During the course of 2016/17 it is expected that a revised Fire & Rescue Framework will be published, which will be reflected in the SFRS Strategic Plan for 2016-2019, which is due to be published in October 2016.

4 SCOTTISH DRAFT BUDGET 2016/17

- 4.1 There are no indicative figures available for the Scottish Draft Budget at this stage however the Scottish Government has indicated that it anticipates significant further austerity over the coming years.
- 4.2 It is currently anticipated that the Scottish Draft Budget will be published around the turn of the calendar year.

5 KEY COST PRESSURES

- 5.1 The UK Government in 2013 announced plans to introduce a Single Tier State Pension from April 2016. As a result Defined Benefit pension schemes (eg public sector schemes) will no longer be able to “Opt Out” of the State Second Pension, thereby increasing employers’ National Insurance costs. It is anticipated that this change will result in a cost increase to SFRS in the region of £4million per annum. Individuals within these pension schemes will also see an increase in National Insurance contributions.
- 5.2 SFRS is required to consider the wider principles of Public Sector Pay Policy when negotiating pay settlements. The current policy relates to 2014/15 and 2015/16 and broadly sets out a maximum increase of 1% in each year.

- 5.3 Within this context, and recognising the current situation with existing national pay bargaining arrangements, budget plans will at this stage assume pay inflation at 1% per annum across all categories of staff. The cost to SFRS of a 1% pay increase for all staff is c.£2million per annum.

6 BUDGET SETTING PRINCIPLES

- 6.1 The proposed budget will be developed in line with the Resource and Capital DEL funding allocations, plus anticipated capital receipts, predominantly from the Property Estate - Strategic Intent programme, for which Scottish Government approval has been received to reinvest in a fit for purpose property portfolio.
- 6.2 While awaiting the outcome of the Spending Review and Draft Scottish Budget, work is ongoing to review and update SFRS financial projections over the short, medium and long term.
- 6.3 The Critical Savings Pathway (CSP) was developed in 2014, covering the period up to 2019/20, and details the various initiatives currently on-going which are projected to deliver cost reductions over the next 4/5 years. These financial projections are currently being reviewed, both in relation to 2016/17 and beyond to ensure that the assumptions which have been applied remain applicable. The CSP also highlights anticipated cost pressures over the same period and these are also being reviewed.
- 6.4 In line with the recommendations of Audit Scotland the Service is working towards the development of a Long Term Financial Strategy (LTFS) covering the period up to 2025/26. The LTFS is designed to consider options to secure the long term financial sustainability of the Service, while delivering against the objectives set for it.
- 6.5 In seeking to address required cost reductions for 2016/17, SFRS will continue to build on work done in previous years and focus on delivering the benefits of reform, as outlined within the Fire & Rescue Framework for Scotland and our Strategic Plan, with the overall aim of improving outcomes for our communities.

7 TIMETABLE AND APPROACH

- 7.1 This Budget Strategy outlines the principles and assumptions that will be adopted in arriving at detailed budget proposals for 2016/17.
- 7.2 SFRS is required through its Governance & Accountability Framework to provide the Scottish Government with detailed budget plans no later than 28th February.
- 7.3 A series of Board development sessions are proposed during December and January, as required, to consider options.

7.4 Budget plans will also be developed in consultation with representative bodies through the Employee Partnership Forum.

7.5 While draft budgets have previously been presented to the Board for approval in February, it is anticipated that due to the timing of the UK and Scottish Spending Review announcements it may be necessary, for 2016/17, to delay this until March 2016, in order to give sufficient time to develop fully costed budget proposals and to allow for satisfactory consultation with key stakeholders,

8 JOINT WORKING ON COMMUNITY PLANNING & RESOURCING

8.1 SFRS recognises its responsibilities to work together with community planning partners as outlined within the “Agreement on Joint Working on Community Planning and Resourcing” and as such will continue to work with local partners to identify practical opportunities to add real value in this area.

9 CAPITAL EXPENDITURE

9.1 The Board approved a 3-year Capital Programme in February 2015 covering 2015-2018. This was intended to be a rolling 3-year programme and as such will be refreshed and rolled forward to cover 2016-2019, providing firm proposals for 2016/17.

9.2 Planned expenditure will take account of the programme re-profile that has been undertaken in 2015/16, and will also reflect current planning assumptions in relation to the implementation of our Property Estate – Strategic Intent.

9.3 It is unknown at this stage whether the Scottish Draft Budget will extend its estimates beyond 2016/17. In the absence of more up to date information, capital forecasts will be based on estimated Capital DEL funding of £25 million per annum, as in the previous year.

10 FINANCIAL IMPLICATIONS

10.1 The financial implications are outlined within the report.

11 EMPLOYEE IMPLICATIONS

11.1 Employee implications of budget plans will be fully evaluated and discussed with representative bodies.

12 LEGAL IMPLICATIONS

12.1 SFRS is required through its Governance & Accountability Framework to provide the Scottish Government with detailed budget plans no later than 28 February.

13 EQUALITY IMPACT ASSESSMENT AND CONSULTATION ARRANGEMENTS

- 13.1 A detailed equality impact assessment will be carried out as part of the budget setting process.
- 13.2 Budget plans will be developed in consultation with representative bodies through the Employee Partnership Forum.

14 CORE BRIEF

- 14.1 The Director of Finance and Contractual Services asked the Board to approve a proposed Budget Strategy for 2016-17 which outlines the approach to developing both Resource and Capital Budgets for 2016-17 within the context of both UK and Scottish Government Spending announcements.

Alasdair Hay
Chief Officer

26 November 2015